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**CREDIT NUMBER 4812-IN**

# **Financing Agreement**

**(Second Additional Financing for Mizoram State Roads Project)**

**between**

**INDIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 22, 2010**

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**CREDIT NUMBER 4812-IN**

**FINANCING AGREEMENT**

AGREEMENT dated October 22, 2010, entered into between INDIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to eight million six hundred thousand Special Drawing Rights (SDR 8,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its continued commitment to the objective of the Project. To this end, the Recipient shall cause Mizoram to carry out the Project in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is any of the following: Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.
- 5.02. The Recipient's Address is:

Secretary  
Department of Economic Affairs  
Ministry of Finance, Government of India  
North Block  
New Delhi 110001, India

Facsimile:

91-11-23092039

5.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Facsimile:

1-202-477-6391

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Govind Mohan  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Giovanna Prennushi  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the management and carrying capacity of the Mizoram state road network.

The Project consists of the Original Project with Part B modified as follows:

#### **Part B: Road Rehabilitation and Maintenance**

1. Carrying out, through the execution of works, a program of road rehabilitation and maintenance of about 297 km of state roads not included under Part A.1 of the Project.
2. Carrying out the ESMP through the execution of works and the provision of goods and consultants' services.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to Mizoram, in accordance with the Recipient's standard arrangements for development assistance to the States of India.
2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.
3. The Recipient through [NRRDA], shall, not later than August 1, 2011, engage an independent performance auditor acceptable to the Association, to carry out performance audits for Part A of the Project. The said independent performance auditor will determine: (i) whether the Disbursement-linked Indicators for each scheduled-disbursement have been met; and (ii) whether the expenditures incurred under a given disbursement schedule have been incurred in compliance with the safeguards and fiduciary arrangements as set out in \_\_\_\_\_ and the construction standards as set out in relevant contracts. The Recipient through [NRRDA], shall furnish a copy of audit reports of the said independent performance auditor to the Association on or before May 1<sup>st</sup> and December 1<sup>st</sup> in each year.

##### **B. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

#### **Section II. Project Monitoring, Reporting and Evaluation**

##### **A. Project Reports**

The Recipient shall monitor and evaluate the progress of the Project and shall ensure that Mizoram prepares Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

##### **B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause Mizoram to prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section, except for two on-going civil works contracts for the Project dated January 13, 2006 and October 22, 2003 respectively, which shall be governed by the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section; except for two on-going contracts for construction supervision for the Project dated September 4, 2003 and March 28, 2002 respectively, which shall be governed by the provisions of Section I of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Association in January 1997 and revised in September 1997 and January 1999.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association.
  
4. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	National Competitive Bidding subject to the additional provisions agreed to from time to time, between the Recipient and the Association
(b)	Shopping
(c)	Direct Contracting
(d)	Community Participation
(e)	Force Account

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
  
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Fixed Budget Selection
(b)	Single Source Selection
(c)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants



(d) Quality-Based Selection
(e) Least Cost Selection
(f) Selection Based on the Consultants' Qualifications
(g) Sole Source Procedures for the Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Additional Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Civil Works, goods, consultants services, resettlement cost, training, studies, and Incremental Operating Costs	8,600,000	100%
<b>TOTAL AMOUNT</b>	<b>8,600,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement. except that withdrawals up to an aggregate amount not to exceed SDR 1,720,000 equivalent may be made for payments made prior to this date but on or after January 1, 2010 for Eligible Expenditures.

2. The Closing Date is December 31, 2010.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Additional Credit repayable (expressed as a percentage)*</b>
On each March 15 and September 15:	
commencing March 15, 2021 to and including September 15, 2030	1.25%
commencing March 15, 2031 to and including September 15, 2045	2.5%

\* The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

**APPENDIX****Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.
2. “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “Development Credit Agreement” means the development credit agreement for the Mizoram State Roads Project entered into between the Recipient and the International Development Association, dated May 6, 2002 (Credit No.3618-IN).
5. “EMP” means Environmental Management Plan of Mizoram dated January 2002, whose objective is to mitigate adverse environmental impacts of road construction under Part A.1 of the Project.
6. “ESMP” means Environmental and Social Management Plan of Mizoram whose objective is to mitigate the environmental and social impacts of road construction activities under Part B.1 of the Project.
7. “Fiscal Year” and “FY” mean the Borrower and Mizoram’s fiscal year, beginning on April 1 of a calendar year and ending on March 31 of the following calendar year.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
9. “GAAP” means the Recipient’s Governance and Accountability Action Plan, dated August 2010, which identifies key governance issues and sets forth mitigation measures to address said issues in respect of the carrying out of Project activities, as said Plan may be amended from time to time with the concurrence of the Association.
10. “Incremental Operating Costs” means the incremental operating costs incurred for carrying out Project related in-house surveys and audits (such as surveys and audits for road conditions and safety), including related travel cost and cost of vehicle rentals.

11. “ISAP” means the Institutional Strengthening Action Plan of Mizoram whose objective is to modernize and strengthen institutions referred to under Part C.1 of the Project, a copy of which has been furnished to the Association on December 21, 2001.
12. “Original Project” means the Project described in Schedule 2 to the Development Credit Agreement.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Project Agreement” means the agreement between the Association and Mizoram of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.
16. “Project Implementing Entity” means the Recipient’s State of Mizoram, or any successor thereto.
17. “Project Implementation Plan” means the Project Implementation Plan of Mizoram for the carrying out of the Project, dated February 2002, as agreed with the Association.
18. “PWD” means the Public Works Department of Mizoram, or any successor thereto.
19. “RIPDP” means the Resettlement and Indigenous Peoples’ Development Plan, dated January 2002, as such plan may be updated from time to time by agreement of Mizoram and the Association, which sets out, *inter alia*, certain principles and objectives for the resettlement and rehabilitation of the persons affected by the Project, including eligibility criteria for identification of such affected persons and monitoring and reporting arrangements to ensure compliance with provisions of the plan.

## Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

### Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction

by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”